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For information

Greeting Card and related Operations **

**Financial report and statements for the eight-month
period ended 31 December 1997**

Summary

At its 1996 annual session, the Executive Board decided to change the fiscal year of Greeting Card and related Operations (GCO) from 1 May-30 April to 1 January-31 December (E/ICEF/1996/12/Rev.1, decision 1996/22 C.5). As a consequence, the 1997 fiscal period consists of only eight months, i.e. 1 May-31 December 1997. This document presents the results of operations for the aforementioned period.

Although the GCO fiscal period was changed in 1997 to synchronize with the UNICEF fiscal year, GCO income will continue to be reflected in the UNICEF financial report consistently with previous years, i.e. as of 31 December.

The net operating income from the sale of UNICEF greeting cards and other products was \$64.8 million, representing a 44.1 per cent return on gross proceeds and a decrease of \$4.0 million (5.8 per cent) compared to 1996. Gross proceeds for 1997 are projected at \$147.1 million, a decrease of \$15.8 million (9.7 per cent) when compared to 1996.

- * E/ICEF/1998/12.
- ** Effective 1 February 1998, GCO became the Private Sector Division.

The net proceeds from private sector fund-raising activities amounted to \$43.1 million. The net operating income was \$37.5 million, a decrease of \$54.1 million (59.1 per cent) compared to 1996. This decrease resulted from a change in the GCO fiscal period, with 1997 being only an eight-month period compared to 12 months in 1996. With this decrease in net operating income from private sector fund-raising activities and after allowing for other charges of \$2.3 million for the Market Development Programme, \$6.1 million for the Fund-raising Development Programme and \$0.4 million for the Central and Eastern European National Committees Development Programme, GCO, in 1997, achieved a net operating income of \$93.5 million, a decrease of \$57.7 million (38.2 per cent) when compared to 1996.

After allowing for an unfavourable exchange rate adjustment of \$1.9 million and a favourable prior years' adjustment of 1.9 million, GCO total net income in 1997 was \$93.5 million, \$45.9 million (32.9 per cent) lower than in 1996. In addition, \$64.2 million (\$103.1 million in 1996) were raised from private sector fund-raising activities which were earmarked by partners for allocation to supplementary-funded projects.

Contents

	<i>Paragraphs</i>	<i>Page</i>
Foreword		3
Financial report for the eight-month period ended 31 december 1997	1 - 44	4
A. An overview of the results	1 - 4	4
B. Financial statements for the eight-month period ended 31 December 1997	5	4
Statement I. Statement of income and expenditure for the eight-month period ended 31 December 1997		5
Statement II. Statement of assets, liabilities and surplus as at 31 December 1997		6
Statement III. Statement of the results for the eight-month period ended 31 December 1997 compared with the approved budget		7
C. Notes to the financial statements	6 - 44	8

Foreword

I am pleased to report that in 1997 the Greeting Card and related Operations (GCO) were able to achieve a net contribution to UNICEF general resources income of \$93.5 million.

This is due to the work of hundreds of thousands of individuals around the world. Our thanks go to the National Committees for UNICEF and other cooperating groups whose staff and volunteers sold UNICEF cards and other products; to the hundreds of artists, museums and art collectors whose works were made available, at no charge, for greeting card designs; and to the millions of individuals who purchased UNICEF cards and other products and who donated their time and money to the cause of UNICEF throughout the period. Equally important, the above achievements became possible because of the successful fund-raising efforts undertaken by the National Committees for UNICEF and UNICEF field offices, and the millions worldwide who responded with their individual contributions.

(Signed) Carol Bellamy
Executive Director

Financial report for the eight-month period ended 31 December 1997

A. An overview of the results

1. The total net income contribution to UNICEF general resources from GCO activities was \$93.5 million. This compares with \$139.5 million in 1996, a decrease of \$45.9 million (32.9 per cent). The contribution consists of \$64.8 million net operating income from the sale of UNICEF greeting cards and other products; \$37.5 million net operating income from private sector fund-raising activities; and other charges and adjustments. These other charges and adjustments include Market Development Programme (MDP) expenditure (\$2.3 million), Fund-raising Development Programme (FDP) expenditure (\$6.1 million), Central and Eastern European National Committees Development Programme expenditure (\$0.4 million), unfavourable exchange rate adjustment (\$1.9 million) and favourable prior years' adjustments (\$1.9 million).
2. Gross proceeds from the sale of UNICEF greeting cards and other products decreased from \$163.0 million in 1996 to \$147.1 million in 1997. This shortfall is due primarily to the negative impact of the continued strength of the United States dollar.
3. The net operating income from the sale of UNICEF greeting cards and other products in 1997 was \$64.8 million (44.1 per cent return on gross proceeds), a decrease of \$4.0 million (5.8 per cent) compared to 1996.
4. The net operating income from private sector fund-raising activities related to general resources was \$37.5 million in 1997, a decrease of \$54.1 million (59.1 per cent) compared to 1996. This decrease resulted from a change in the GCO fiscal period, with 1997 being only an eight-month period compared to 12 months in 1996. In addition, \$64.2 million (\$103.1 million in 1996) were raised from private sector fund-raising activities which were earmarked, by partners, for allocation to supplementary-funded projects.

B. Financial statements for the eight-month period ended 31 December 1997

5. The three financial statements that follow are supported by the notes to the financial statements, including a summary of significant accounting policies (paras. 7-15), which are considered an integral part of the financial report.

STATEMENT I
Statement of income and expenditure for the eight-month period ended 31 December 1997

(in thousands of United States dollars)

	Note	1997 season		1996 season		Increase/(decrease)	
		1 May 1997 - 31 December 1997	%	1 May 1996 - 30 April 1997	%		%
Gross proceeds - GCO products	3	147,118	100.0	162,961	100.0	(15,843)	(9.7)
Less: Retention/commissions and direct expenses at field offices	4	36,580	24.9	41,538	25.5	(4,958)	(11.9)
Net proceeds		110,538	75.1	121,423	74.5	(10,885)	(9.0)
Less: Cost of goods delivered	5	31,280	21.3	34,815	21.4	(3,535)	(10.2)
		79,258	53.9	86,608	53.1	(7,350)	(8.5)
Less: Operating costs	6	14,599	9.9	24,142	14.8	(9,543)	(39.5)
Provision for uncollectible accounts receivable	7	969	0.7	577	0.4	392	67.9
		63,690	43.3	61,889	38.0	1,801	2.9
Add: Other income	8	1,144	0.8	6,918	4.2	(5,774)	(83.5)
Net operating income - GCO products	9	64,834	44.1	68,807	42.2	(3,973)	(5.8)
Net operating income - Private sector fund-raising a/	10	37,477		91,548		(54,071)	(59.1)
Less: Other charges	11	2,334		1,879		455	24.2
Market Development Programme	12	6,135		6,473		(338)	(5.2)
Fund-raising Development Programme		0		135		(135)	(100.0)
Exhibits							
Central and Eastern European National Committees	13	382		702		(320)	(45.6)
Development Programme							
Total net operating income	14	93,460		151,167		(57,707)	(38.2)
Less: Exchange rate adjustment	15	1,875		11,278		(9,403)	(83.4)
Prior years' adjustments(gain)	16	(1,944)		(265)		(1,679)	633.6
Office move-related expenses		0		681		(681)	(100.0)
Total net income	17	93,529		139,472		(45,943)	(32.9)

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

a/ Excluding \$64.2 million allocated to supplementary funds compared to \$103.1 million in 1996. This is shown in the UNICEF financial report.

Ellen Yaffe, Comptroller
(Signed)

Carol Bellamy, Executive Director
(Signed)

STATEMENT II
Statement of assets, liabilities and surplus as at 31 December 1997
(In thousands of United States dollars)

	Note	As at 31 December 1997	As at 30 April 1997	Increase/(decrease)
ASSETS				
Cash	18			
Accounts receivable	19	1,107	1,128	(21)
Less: Allowance for exchange rate fluctuation and uncollectible accounts		147,278	180,484	(33,206)
		15,752	18,955	(3,203)
Net accounts receivable	20	131,526	161,529	(30,003)
Inventory	21	6,018	18,707	(12,689)
Prepaid expenses	22	141	249	(108)
Capital assets, net of accumulated depreciation	23	1,164	1,306	(142)
TOTAL ASSETS		<u>139,956</u>	<u>182,919</u>	<u>(42,963)</u>
LIABILITIES				
Accounts payable	24	11,039	7,795	3,244
Inter-office account	25	35,388	35,652	(264)
TOTAL LIABILITIES		<u>46,427</u>	<u>43,447</u>	<u>2,980</u>
SURPLUS		<u>93,529</u>	<u>139,472</u>	<u>(45,943)</u>
TOTAL LIABILITIES AND SURPLUS	26	<u>139,956</u>	<u>182,919</u>	<u>(42,963)</u>

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Ellen Yaffe, Comptroller
(Signed)

Carol Bellamy, Executive Director
(Signed)

STATEMENT III

**Statement of the results for the eight-month period ended 31 December 1997
compared with the approved budget
(In millions of United States dollars)**

	Actual	Approved budget a/	Variance Increase (decrease)	
			\$	%
Income				
Gross proceeds - GCO products	147.1	170.0	(22.9)	(13.5)
Less: National Committees' retention	31.1	37.0	(5.9)	(15.9)
Net proceeds	116.0	133.0	(17.0)	(12.8)
Add: Other income	1.1	6.5	(5.4)	(83.1)
Total net proceeds - GCO products	117.1	139.5	(22.4)	(16.1)
Net proceeds - private sector fund-raising	43.1	113.0	(69.9)	(61.9)
Total income	160.2	252.5	(92.3)	(36.6)
Expenditures				
Director's Office	0.3	0.3	-	-
Product Line and Marketing	43.6	53.8	(10.2)	(19.0)
Market Development Programme	2.3	3.0	(0.7)	(23.3)
Private Sector Fund-raising	5.6	7.0	(1.4)	(20.0)
Fund-raising Development Programme	6.1	7.8	(1.7)	(21.8)
Operations and Finance	6.9	9.6	(2.7)	(28.1)
GCO share in UNICEF administrative costs	0.6	0.6	-	-
Central and Eastern European National Committees Development Programme	0.4	0.6	(0.2)	(33.3)
Total expenditures	65.8	82.7	(16.9)	(20.4)
Total net income before adjustments	94.4	169.8	(75.4)	(44.4)
Less:				
<i>Adjustments</i>				
Provision for doubtful accounts	1.0	-	1.0	-
Exchange rate adjustments	1.8	-	1.8	-
Prior years' adjustments (gain)	(1.9)	-	(1.9)	-
Total net income after adjustments - general resources	93.5	169.8	(76.3)	(44.9)
Add: Supplementary funds - private sector fund-raising	64.2	91.0	(26.8)	(29.5)
Total net revenues - general resources and supplementary funds	157.7	260.8	(103.1)	(39.5)

a/ In accordance with Executive Board decision 1997/14, para.2, these amounts reflect the low projection budget.

For details on variances between actual and the approved budget see note 27 (para. 44).

C. Notes to the financial statements

Note 1. Objectives and activities

6. GCO, in cooperation with National Committees for UNICEF, field offices and others, raises funds for children. Consequently, this makes people aware of UNICEF activities and gives them the opportunity to be involved in its work.

Note 2. Summary of significant accounting policies

7. The accounts are maintained in accordance with the Financial Regulations and Rules of the United Nations Children's Fund and with the Financial Regulations and Rules of the United Nations Children's Fund, Special Supplement, Greeting Card Operation (E/ICEF/FINANCIAL RULES/1/Add.1).

8. The accounting period (fiscal year) of GCO is 1 January to 31 December, pursuant to Executive Board decision 1996/22 C.5 (E/ICEF/1996/12 Rev.1). Therefore, the 1997 fiscal period is an eight-month period. The accounts of GCO are incorporated into the UNICEF accounts as at 31 December. Consistent year-end cut-off procedures are in effect to incorporate GCO accounts into the UNICEF financial statements.

9. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rates of exchange on the transaction date.

10. Deliveries to National Committees and other partners are recorded in local currencies converted into United States dollars at the United Nations exchange rate on the individual delivery dates. GCO gross proceeds are recorded in United States dollars at the resultant average exchange rates calculated on the basis of the rates used for deliveries. Actual cash collection is recorded in United States dollars at the United Nations rate in effect at the time remittances are received.

11. Assets and liabilities in currencies other than United States dollars are valued for accounting purposes at the prevailing United Nations rates of exchange. Any variance in valuation caused by fluctuation of those rates is accounted for as income or loss and included in the statement of income and expenditure under revaluation of assets and liabilities (exchange rate adjustment). An allowance of 10 per cent of non-United States dollar-denominated estimated outstanding accounts receivable as at 31 December may be established to cover the fluctuation of exchange rates. Further, an allowance for accounts receivable that are considered doubtful for collection may be established. These allowances are shown as a deduction from the accounts receivable on the statement of assets and liabilities.

12. The inventory of raw materials, work in process, finished goods for the following campaign and goods in transit are valued at standard cost. It is GCO policy to write-down unsold cards and dated products at the end of the first sales campaign year and all other products at the end of the second sales campaign year. Products which have been written-down and carried forward are valued at their add-on cost. All publicity and promotion materials produced in the current campaign year, but relating to future campaign years, are shown at standard cost and included in inventory.

13. Capital assets costing \$100,000 or more are capitalized and depreciated over their estimated useful life.

14. Liabilities are accrued in the GCO accounts following recognized accounting standards, and appropriate cut-off procedures are consistently followed.

15. Income from private sector fund-raising activities and related expenses are recorded separately in the GCO accounts.

Statement I

Note 3. Gross proceeds - GCO products

16. Gross proceeds for 1997 are \$147.1 million, a decrease of \$15.8 million over 1996 (9.7 per cent). This decrease was due primarily to the negative impact of the continued strength of the United States dollar.

Note 4. Retention/commissions and direct expenses at UNICEF field offices

17. This item consists of the amounts retained by National Committees and other partners, commissions paid to consignees and direct operating expenses at UNICEF field offices. For 1997, this amounted to \$36.6 million, a decrease of \$4.9 million (or 11.8 per cent) when compared to 1996 actual. This decrease is due primarily to lower gross proceeds. A breakdown is given below:

(In millions of United States dollars)				
	1997	1996	<i>Increase/decrease</i>	
			\$	%
Retention/commissions	33.5	37.0	(3.5)	(9.5)
Field offices' expenses	3.1	4.5	(1.4)	(31.1)
Total	36.6	41.5	(4.9)	(11.8)

Note 5. Cost of goods delivered

18. The cost of goods delivered, including promotion materials, freight, duties and taxes, was \$31.2 million, a decrease of \$3.6 million (10.3 per cent) over 1996 actual. This decrease comprised reductions in cost of goods delivered by \$2.2 million (8.9 per cent), freight, duties and taxes by \$1.2 million (31.6 per cent) and the cost of promotion materials by \$0.2 million (3.2 per cent) over 1996. These decreases are due primarily to improved sales forecasting and product mix. Details are presented below:

(In millions of United States dollars)				
	1997	1996	<i>Increase/decrease</i>	
			\$	%
Costs of goods delivered	22.5	24.7	(2.2)	(8.9)
Freight, duties, tax	2.6	3.8	(1.2)	(31.6)
Promotion materials	6.1	6.3	(0.2)	(3.2)
Total	31.2	34.8	(3.6)	(10.3)

Note 6. Operating costs

19. The operating costs reflect the total operating costs of the Product Line and Marketing Group, the Operations and Finance Group and the Director's Office. In 1997, the operating costs of both the Operations and Finance Group and the Product Line and Marketing Group decreased. In total, they amounted to \$14.6 million, a decrease of \$9.5 million (39.4 per cent) over 1996 actual. As a percentage of gross proceeds, operating costs were 9.9 per cent, a decrease of 4.9 per cent when compared to 14.8 per cent in 1996. This reduction was due mainly to the shorter reporting period (8 months versus 12 months in 1996). Details of the operating costs are summarized below:

(In millions of United States dollars)				
	1997	1996	<i>Increase/decrease</i>	
			\$	%
Product Line and Marketing	5.2	8.9	(3.7)	(41.6)
Operations and Finance	8.6	14.5	(5.9)	(40.7)
Director's Office	0.8	0.7	0.1	14.3
Total	14.6	24.1	(9.5)	(39.4)

Note 7. Provision for uncollectible accounts receivable

20. The \$1.0 million provision for uncollectible accounts receivable consists of accounts receivable that may become irrecoverable. This is an increase of 0.4 million (67.9 per cent) over 1996. Accounts receivable deemed to be irrecoverable are written-off against the allowance for uncollectible accounts receivable account. Nevertheless, GCO continues its efforts to pursue collection of these amounts.

Note 8. Other income

21. Other income is based on the actual income received by field offices and those reported by National Committees by 31 December and comprises the following:

(a) *Income from licensed products*, which includes royalties from special programmes, income from Nippon Telegraph and Telephone Corporation's Pressed Flower Telegram Programme in Japan and income from the sale of National Committee products and other items;

(b) *Donations*, which represent contributions generated through GCO brochures/order forms;

(c) *Miscellaneous income*, which includes bank interest, discounts on purchases, sale of obsolete equipment and miscellaneous proceeds.

22. Other income in 1997 amounted to \$1.1 million, a decrease of \$5.8 million (84.1 per cent) over 1996. A comparison between 1997 and 1996 is presented below:

(In millions of United States dollars)				
	1997	1996	<i>Increase/decrease</i>	
			\$	%
Licensed products	0.8	4.8	(4.0)	(83.3)
Donations	0.1	1.8	(1.7)	(94.4)
Miscellaneous income	0.2	0.3	(0.1)	(33.3)
Total	1.1	6.9	(5.8)	(84.1)

Note 9. Net operating income - GCO products

23. For the 1997 campaign, the net operating income from the sale of GCO products was \$64.8 million, a decrease of \$4.0 million (5.8 per cent) over 1996. As a percentage of

gross proceeds, the 1997 net operating income was 44.1 per cent, an increase of 1.9 per cent when compared to 42.2 per cent in 1996.

Note 10. Net operating income - private sector fund-raising

24. In 1997, total net proceeds from private sector fund-raising activities received by field offices and reported by partners by 31 December amounted to \$43.1 million for general resources, a decrease of \$55.6 million (56.3 per cent) when compared to 1996. This decrease resulted from a change in the GCO fiscal period, with 1997 being only an eight-month period compared to 12 months in 1996.

25. As presented in the table below, the net operating income from private sector fund-raising activities related to general resources in 1997 amounted to \$37.5 million, \$54.1 million (59.1 per cent) lower than 1996. This was net of the amount retained by the National Committees, operating costs of the Private Sector Fund-raising Group, including field office expenses, and the costs related to research and development.

26. In addition to the net operating income from private sector fund-raising activities related to general resources, \$64.2 million were earmarked to various UNICEF supplementary-funded projects. This amount is shown as a footnote to statement I in the present financial report and included as income in the UNICEF financial report.

**Net operating income - private sector fund-raising for the eight-month period ended
31 December 1997**

(In thousands of United States dollars)

	1997	1996 a/	Variance Increase (decrease) \$	Variance Increase (decrease) \$
<u>Net proceeds</u>	43 129	98 731	(55 602)	(56.3)
<u>Operating costs</u>				
International Professional staff	734	1 519	(785)	(51.7)
General Service staff	443	915	(472)	(51.6)
Short-term staff	6	52	(46)	(88.5)
Travel, conference and liaison	146	233	(87)	(37.3)
Support services and materials	249	244	5	2.0
Rent, equipment, supplies and freight	197	423	(226)	(53.4)
Field office expenses	2 130	2 520	(390)	(15.5)
Total operating costs	3 905	5 906	(2 001)	(33.9)
Research and development	1 747	1 277	470	36.8
Net operating income	37 477	91 548	(54 071)	(59.1)

a/ 1996 was a 12-month period.

27. To develop new methods and to test fund-raising campaigns in 1997, \$1.7 million were spent for research and development. This amount was \$0.5 million (36.8 per cent) higher than 1996.

Note 11. Market Development Programme

28. In 1994, the Executive Board approved the establishment of MDP (E/ICEF/1994/13/Rev. 1, decision 1994/A/9) with the goal to test and evaluate new income-generating initiatives in the area of product line and marketing. For 1997, the Executive Board approved \$3.0 million. Through this programme, interested National Committees submitted requests for funding, and each request was supported with a complete description of the project and a short-term marketing and financial plan. Upon approval of a request, the requested amount was provided by GCO to the National Committee which, in turn, at least matched the amount provided equally and established a separate account for the transparent monitoring of the programme over the planned period. During 1997, 17 National Committees received approval for funding from MDP, with a total value of \$2.3 million.

Note 12. Fund-raising Development Programme

29. To enable GCO to fulfil its mandate in private sector fund-raising activities, the Executive Board, at its 1994 session, authorized the further implementation of FDP for an additional five-year period and, at its 1997 session, approved \$7.8 million for 1997. The objective of this programme was to increase the capacity of National Committees and UNICEF field offices to build a broader support base in raising funds from the private sector (see E/ICEF/1991/AB/L.6 and E/ICEF/1991/15, decision 1991/35). In 1997, the total expenditure from FDP was \$6.1 million.

Note 13. Central and Eastern European National Committees Development Programme

30. In 1992, the Executive Board approved the Central and Eastern European National Committees Development Programme (E/ICEF/1992/AB/L.6 and E/ICEF/1992/14, decision 1992/40). Initially, the National Committees in this region were allowed to retain, in addition to the 25 per cent retention on gross proceeds, the remaining 75 per cent of gross proceeds as well. This increased retention was intended to cover expenditures for raising awareness, general advocacy, information dissemination, sales network expansion and donor constituency-building. According to the Executive Board-approved formula, starting in 1997, National Committees are contributing 40 per cent to UNICEF and this rate will go up to 60 per cent in 1998, and the usual 75 per cent of the gross proceeds in 1999 and thereafter. For 1997, the actual expenditure was \$0.4 million, \$0.3 million (45.6 per cent) lower than in 1996. This reduction was due mainly to the increased percentage contribution by National Committees to UNICEF as referred to above.

Note 14. Total net operating income

31. The total net operating income from GCO product sales and private sector fund-raising activities amounted to \$93.5 million, a decrease of \$57.7 million (38.2 per cent) compared to 1996. This represents GCO net operating income before non-operating charges, *inter alia*, exchange rate adjustment and prior years' adjustments.

Note 15. Exchange rate adjustment

32. This represents the net adjustment for exchange rate, including a 10 per cent provision for exchange rate fluctuations on outstanding non-United States dollar accounts receivable and the effect of the revaluation of assets and liabilities using the 31 December

1997 United Nations operational rate of exchange. The exchange rate adjustment in 1997 amounted to a loss of \$1.9 million, a decrease of \$9.4 million when compared to the loss of \$11.3 million in 1996.

Note 16. Prior years' adjustments

33. In accordance with existing GCO accounting policy, non-recurring adjustments to proceeds and expenditures related to prior years have been recorded as prior years' adjustments. For 1997, these adjustments amounted to a favourable \$1.9 million.

Note 17. Total net income

34. After deducting the non-operating expenses, the total net income from product sales and private sector fund-raising activities in 1997 was \$93.5 million, a decrease of \$45.9 million (32.9 per cent) compared to 1996 actual.

Statement II

Note 18. Cash

35. Cash (\$1.1 million) consisted of balances in GCO bank accounts and petty cash at headquarters and in field offices.

Note 19. Accounts receivable

36. Accounts receivable include amounts due from National Committees and other partners for revenues from product sales, private sector fund-raising activities and royalties and miscellaneous receivables. The gross accounts receivable as at 31 December 1997 were \$147.3 million, a decrease of \$33.2 million over the balance as at 30 April 1997. Agreements with National Committees provide for payment of these balances within six months from the end of their respective fiscal years.

Note 20. Net accounts receivable

37. In accordance with GCO accounting policy (see para. 11 above), an allowance to cover accounts receivable that are considered doubtful for collection and an allowance to cover the impact of exchange rate fluctuation on accounts receivable held in non-United States dollar currencies may be established. For 1997, the total allowance for exchange rate fluctuation and estimated uncollectible accounts amounted to \$15.8 million. Net accounts receivable after deducting this allowance amounted to \$131.5 million.

Note 21. Inventory

38. Inventory is stated at standard cost (raw materials, work in process, finished goods and goods in transit) and, as at 31 December 1997, amounted to \$6.0 million, a decrease of \$12.7 million compared to the balance as at 30 April 1997. The decrease was due basically to the lower on hand inventory of raw materials, finished goods and goods-in-transit as at 31 December 1997.

	(In millions of United States dollars)	
	<i>31 December 1997</i>	<i>30 April 1997</i>
Raw materials	2.1	3.4
Work in process	1.2	1.8
Finished goods	2.0	8.8
Goods in transit	0.7	4.7
Total	6.0	18.7

Note 22. Prepaid expenses

39. These represented payments made to suppliers for the production of GCO products and promotion materials for 1998 and future campaigns. Prepaid expenses as at 31 December 1997 amounted to \$0.1 million, a decrease of \$0.1 million compared to the balance as at 30 April 1997.

Note 23. Capital assets

40. These are stated at cost, less accumulated depreciation (see summary of capital assets as at 31 December 1997 presented below). In accordance with GCO accounting policies, capital assets costing \$0.1 million or more are capitalized and depreciated over their estimated useful life. The decrease of \$0.2 million in capital assets over the balance as at 30 April 1997 was the depreciation of machinery, office equipment and amortization of leasehold improvements during the period.

	(In millions of United States dollars)	
	<i>31 December 1997</i>	<i>30 April 1996</i>
Production machinery	1.0	0.9
Office equipment and leasehold improvements	1.2	1.4
Subtotal	2.2	2.3
Accumulated depreciation	(1.1)	(1.0)
Total	1.1	1.3

Note 24. Accounts payable

41. Total accounts payable as at 31 December 1997 amounted to \$11.0 million, an increase of \$3.2 million compared with the balance as at 30 April 1997. Included in the total accounts payable were liabilities to suppliers and National Committees.

Note 25. Inter-office account

42. This reflects the net result of the transactions between GCO and other UNICEF offices. The balance included monies advanced as working capital to GCO. GCO earnings for each fiscal period also are transferred to UNICEF via this account.

Note 26. Surplus

43. This represents GCO earnings which are transferred to UNICEF general resources income annually. As at 31 December 1997, the surplus was \$93.5 million.

Statement III**Note 27. Comparison of 1997 actual results with budget**

44. GCO performance in 1997 compared with the approved budget is as follows:

- (a) Gross proceeds from the sale of GCO products were \$22.9 million, or 13.5 per cent less than budget;
- (b) National Committees' retention was \$5.9 million, or 15.9 per cent less than budget;
- (c) Net proceeds from the sale of GCO products were \$17.0 million, or 12.8 per cent less than budget;
- (d) Other income was \$5.4 million, or 83.1 per cent less than budget;
- (e) Total net proceeds related to product sales were \$22.4 million, or 16.1 per cent less than budget;
- (f) Net proceeds from private sector fund-raising activities were \$69.9 million, or 61.9 per cent less than budget;
- (g) Total income was \$92.3 million, or 36.6 per cent less than budget;
- (h) Director's Office expenditures were as budgeted;
- (i) Expenses related to product line and marketing were \$10.2 million, or 19.0 per cent less than budget;
- (j) MDP expenditures were \$0.7 million, or 23.3 per cent less than budget;
- (k) Expenditures related to private sector fund-raising activities were \$1.4 million, or 20.0 per cent less than budget;
- (l) FDP expenditures were \$1.7 million, or 21.8 per cent less than budget;
- (m) Expenditures related to operations and finance were \$2.7 million, or 28.1 per cent less than budget;

- (n) The GCO share in administrative costs were as budgeted;
- (o) Central and Eastern European National Committees Development Programme expenditures were favourable by \$0.2 million (33.3 per cent) compared to the budget;
- (p) Total expenditures were \$16.9 million, or 20.4 per cent less than the budget of \$82.7 million;
- (q) Total net income before adjustments was \$75.4 million (44.4 per cent) lower than the budget of \$169.8 million;
- (r) The total net income after adjustments was \$76.3 million, or 44.9 per cent less than the budget of \$169.8 million;
- (s) Proceeds from private sector fund-raising activities earmarked for supplementary-funded programmes were \$26.8 million (29.5 per cent) less than budget;
- (t) The total net revenues for both general resources and supplementary funds were \$103.1 million (39.5 per cent) less than budget.
